

Message Text

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ORIGIN NEA-12

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00 SS-20

NSC-10 L-03 CIAE-00 INR-10 NSAE-00 RSC-01 AGR-20

AID-20 EB-11 IGA-02 PA-04 PRS-01 COME-00 ABF-01 OMB-01

TRSE-00 /117 R

DRAFTED BY NEA/INS:JLEADER:AMP

APPROVED BY NEA/INS: DENNIS KUX

NEA:LBLAINGEN (SUBS)

AID/ASIA:HREES (INFO)

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O 201804Z OCT 73 ZFF4

FM SECSTATE WASHDC

TO AMEMBASSY COLOMBO NIACT IMMEDIATE

C O N F I D E N T I A L STATE 208625

E.O. 11652: GDS

TAGS: CE, PFOR, EAID

SUBJECT: PL 480 TITLE I: WHEAT FLOUR ALLOCATION FOR
SRI LANKA

REF: STATE 208088

1. IN ABSENCE ASSISTANT SECRETARY SISCO, ACTING INS
DIRECTOR (KUX) PHONED AMBASSADOR KANAKARATNE OCTOBER 20
TO INFORM HIM OF 20,000 TON WHEAT FLOUR ALLOCATION FOR
SRI LANKA (REFTEL). AID ASSISTANT ADMINISTRATOR MACDONALD
ALSO WILL ENDEAVOR REACH KANAKARATNE (IN NEW YORK) TO BRIEF
HIM FURTHER ON DECISION. KUX MADE FOLLOWING POINTS:

(A) MR SISCO REGRETTED THAT HIS DEPARTURE FOR MOSCOW
MADE IT IMPOSSIBLE FOR HIM TO CONVEY GOOD NEWS BUT HE
HAD ASKED THAT DEPT INFORM AMBASSADOR THAT WE HAVE MANAGED
OBTAIN ALLOCATION 20,000 TONS WHEAT FLOUR FOR SRI LANKA
PL 480 PROGRAM (ABOUT DOLS 5 MILLION) DESPITE EXTREMELY
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TIGHT SUPPLY SITUATION. THIS OBVIOUSLY NOT FULL AMOUNT

WE HOPED FOR AT TIME AID GROUP MEETING LAST FEBRUARY, BUT IT REPRESENTS SIGNIFICANT MEASURE IN PRESENT CIRCUMSTANCES.

(B) IMPORTANT REASON WHY WE WILLING PROVIDE WHEAT FLOUR FOR SRI LANKA WAS HIGH PREMIUM WE PLACED ON CORDIAL BILATERAL RELATIONSHIP. DECISION FAVORABLE TO SRI LANKA NOT EASY ONE FOR US. WE HAVE HAD TO DISAPPOINT MANY FRIENDS IN THEIR PL-480 EXPECTATIONS. ALLOCATION PUTS SRI LANKA IN SELECT FRATERNITY.

(C) WE REALIZE ALLOCATION DOES NOT FULLY MEET SRI LANKA'S NEEDS, BUT WE HOPE IT WILL HELP; SOLUTIONS TO SRI LANKA FOOD PROBLEM, OF COURSE, REST PRIMARILY WITH CEYLONSE WHO MADE COMMENDABLE START WITH OCTOBER 1 REFORMS. OUR ALLOCATION AT THIS DIFFICULT TIME INDICATES WE ARE FULLY WITH SRI LANKA IN ITS EFFORTS ACHIEVE ECONOMIC STABILITY.

(D) ALLOCATION TO SRI LANKA IS, OF COURSE, ONLY FIRST STEP IN OUR APPROVAL PROCESS. PROGRAM WILL HAVE TO BE DISCUSSED WITH GSL. IN THESE DELIBERATIONS WE WILL TAKE UP LONGSTANDING PROBLEM OF EXCHANGE RATE TO BE APPLIED TO RUPEE DEBT OWED BY SRI LANKA. WE HOPE THIS PROBLEM WILL BE SPEEDILY AND SATISFACTORILY RESOLVED.

2. AMBASSADOR KANAKARATNE EXPRESSED APPRECIATION FOR NEWS AND SAID 20,000 TONS WILL PROVIDE IMPORTANT HELP TO SRI LANKA. SAID HE WOULD REPORT INFORMATION TO HIS GOVERNMENT WHICH HE WAS SURE WOULD WELCOME OUR DECISION AS FURTHER EVIDENCE OF HIGH US REGARD FOR SRI LANKA.

3. WE WILL KEEP YOU INFORMED OF PROGRESS IN APPROVAL PROCESS THROUGH INTER-DEPARTMENTAL (FOOD) SUB-COMMITTEE (ISC) CHAIRED BY DEPT OF AGRICULTURE AND NATIONAL ADVISORY COUNCIL (NAC) CHAIRED BY TREASURY. AS INDICATED REFTTEL, ONE ISSUE TO BE ADDRESSED WILL BE QUESTION OF EXCHANGE RATE FOR CEYLONSE REPAYMENTS OF RUPEE DEBT. WE WILL BE SENDING NEW INSTRUCTIONS THIS REGARD SHORTLY. RUSH

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